

May 4, 2004
Legislative Audit Committee Hearing - Air Management Program Audit
Testimony for Secretary Hassett

Opening Comments:

Agree with Report Findings - The Department is in substantial agreement with the recommendations. We appreciate the level of effort by the Audit Bureau staff and the open communications we had with them during the process.

Permit Program Streamlining is Underway – Even before the completion of the audit we initiated a comprehensive streamlining project, the Air Permit Improvement Initiative (APII). This initiative, started in June 2003, will result in a streamlined air permit program being implemented in 2005. This initiative is a two pronged approach, including streamlining the permitting process for operation and construction permits in the Air Management Program, and retooling Wisconsin's new source review regulations in light of the federal changes in this area. This initiative positions us well to address recommendations in the audit report, implement the provisions of 2003 Wisconsin Act 118 and achieve the Governors' Grow Wisconsin vision for an efficient and effective air permit program.

Federal Operation Permit Backlog will Be Eliminated This Year – We are on target to eliminate the backlog of Federal Operation permits by December 2004. In October 2003, we redirected resources to address the operation permit backlog while maintaining an efficient construction permit program. Resources were made available by eliminating or reducing certain air management program activities and deploying them to this work. [**Eliminated Activities**– biomonitoring, 17 ambient monitoring sites, visible emissions school, climate change policy analysis (global warming & greenhouse gases) and forecasting particle pollution levels. **Reduced Level of Effort**– small source compliance and enforcement, non-Title V complaint follow-up, mercury modeling & policy analysis, ozone policy analysis, air toxics policy analysis, stack emission testing and asbestos].

Response to Recommendations - Actions have already been taken to address many of these recommendations and plans are underway to ensure we completely address all of the recommendations. We will report on our progress in the report to the Joint Audit Committee by September 1, 2004. Today, I can share an initial status report with the committee that provides details on our progress at addressing report recommendations.

Issues of Concern:

Audit Covered a Limited Review Period - The report focuses on a limited snapshot of time. Over the last ten-year period (1993 –2003), Wisconsin's Air Management Program has actually lost 20% of its staff resources (vs. the 8.1% decline documented in the period of time covered in the LAB report). This level of resource reduction has presented substantial management challenges for the program.

Program Priorities Favored Construction Permits – Previously, the program very consciously placed a high priority on construction permits versus operation permits in order to support industry and economic needs in the state. The Department attempted to balance issuance of the largest federal operation permits first, kept current with operation permit renewals and included federally enforceable state operation permits. In order to meet the need to eliminate the operating permit backlog, we have temporarily made a significant reduction in renewals, federally enforceable state operation permits and compliance activities.

The Construction Permit Program has Been Effective - Throughout this time, the Air Management Program has maintained a highly effective construction permit program. As noted in the audit report, Wisconsin's length of time in processing a new construction permit is less than half the time of the national average as measured by EPA. The Air Management Program has consistently given priority to its construction permit program to support industry growth and development. The long turnaround times for the 40 permits cited in this report are for reasons beyond the control of the air program and were often at the request of industry. The Air Management Program focused on being customer service oriented by putting applications on hold for industry, when requested. This was done consciously and the Department does not view this as a failure in management.

EPA's Notice of Deficiency is a Significant Related Issue – In February 2004, EPA issued Wisconsin a Notice of Deficiency for the implementation of the state's Title V permit program. EPA is also concerned with our rate of issuing federal operation permits and questions the adequacy of program funding. We will need to address EPA NOD in a timely manner to avoid sanctions that could include reduced highway funds, more barriers to industry growth in nonattainment areas and EPA assuming the federal permit program from Wisconsin. However, we have a detailed strategy to address the NOD and believe most, if not all, issues can be readily addressed.

Program Resources Have Been Depleted - Over the past 7 years, Air Management Program staff has decreased by 35 full-time positions. On October 6, 2003, the Air Management Program restructured its programs and reassigned staff as a result of budget cuts, Title V funding requirements, and the need to align our limited resources with the available funding sources.

Closing Comments:

- The Air Management Program staff, work activities and funding sources are now better aligned. Resources have been redeployed to address the federal operation permit backlog this year. Streamlining of the construction and operation permit programs is well underway. We are implementing streamlining improvements as we develop our comprehensive improvement plan.
- EPA's Notice of Deficiency must be addressed within 18 months to avoid potentially significant sanctions. Adequacy of funding to support the Title V Program and issuance rate of operation permits are the principal concerns in this notice. We have and will continue to work closely with stakeholders in addressing the solutions to these issues.
- Many of the audit recommendations speak to improving our management systems. The Department intends to submit a 16.515 request in the near future for funding to develop an IT-based permit system and upgrade our data management systems. This system will significantly: reduce permit processing time; improve the consistency of permitting decisions across the state, and increase facility's knowledge of permit requirements and permit status.

